

June 22, 2006

## **Background on Coburn Amendment # 4373 – No Federal funds for the future development and operation of the Defense Travel System**

### **Background**

The Defense Travel System (DTS) is an end-to-end electronic travel system intended to integrate all travel functions, from authorization through ticket purchase to accounting for the Department of Defense. The system was initiated in 1998 and it was supposed to be fully deployed by 2002. DTS is currently in the final phase of a six-year contract that expires September 30, 2006. In its entire history, the system has never met a deadline, never stayed within cost estimates, and never performed adequately.

**To date, DTS has cost the taxpayers \$474 million – more than \$200 million more than it was originally projected to cost.** It is still not fully deployed. It is grossly underutilized. And tests have repeatedly shown that it does not consistently find the lowest applicable airfare – so even where it is deployed and used, it does not really achieve the savings proposed.

This amendment prohibits continued funding of DTS and instead requires DOD to shift to a fixed price per transaction e-travel system used by government agencies in the civilian sector, as set up under General Services Administration (GSA) contracts.

### **Quotes of Senators from last year's debate**

- Senator Allen stated during the debate in Fall 2005 that “as a practical matter we would like to have another year or so to see (DTS) fully implemented.”
- Senator Coleman stated during the debate, “... if we cannot get the right answers we should pull the plug, but now is not the time to pull the plug. We do oversight for a reason. We are in the process of oversight. Let us get answers to the questions, but clearly then we want to have the right kind of system...Let us finish our investigative work. Let us get the answers, and then we can bring this issue up at another time.” (There hasn't been another

Permanent Subcommittee on Investigations hearing held on this subject and the work of the committee has been focused elsewhere).

- Senator Levin, during the same debate, also expressed the need to allow DTS another year and avoid what he termed “going back to ground zero.”

---

### **DTS Language in Committee Report on Defense Authorization bill** *(P.301 of the Senate Armed Services Committee Report on FY2007 National Defense Authorization Act)*

#### ***Defense Travel System***

Over the last 10 years, the Government Accountability Office (GAO) and the Department of Defense Inspector General's office have documented serious problems with existing Defense travel systems. The Department responded to these concerns by working to develop a new travel system, known as the Defense Travel System (DTS), which would process all Defense travel requests.

The committee is aware that DTS has experienced serious problems. **More than seven years after the initial DTS contract was awarded, the system still is not fully functional.**

Nonetheless, the committee continues to support investment in the travel reengineering effort. **In this regard, the committee is encouraged by the fundamental restructuring of the DTS contract, which took place in 2004.** The Department has indicated that this restructuring should address many of the problems identified by GAO and the Department Inspector General.

Moreover, the committee remains convinced that the Department's travel problems must be addressed on a comprehensive basis. As a GAO witness explained at a hearing before the Homeland Security and Governmental Affairs Committee last year:

One of DOD's long-standing problems has been the lack of integrated systems. To address this issue and minimize the manual entry of data, interfaces between existing systems must be developed to provide the exchange of data that is critical for day-to-day operations. For example, DTS needs to know before permitting the authorization of travel that sufficient funds are available to pay for the travel--information that comes from a non-DTS system--and once the travel has been authorized, another system needs to know this information so that it can record an obligation and provide management and other systems with information on the funds that remain available.

At the present time, DTS remains the only integrated approach to these issues available to the Department.

However, DTS will not be able to maximize savings unless it is utilized on a more extensive basis throughout the Department. It is not helpful for the Department to develop a comprehensive and money-saving solution to its travel problems if this system is not used by Defense officials at sites where it has been deployed.

**Accordingly, the committee directs the Department to provide a semi-annual report on DTS to the congressional defense committees for the next 2 years, beginning in 2007. Each report should address: (1) the number of defense installations at which DTS has been deployed; (2) the extent of usage of DTS at such sites; (3) steps taken or to be taken by the Department to increase such usage; (4) the savings resulting from such deployment and usage; and (5) any continuing problems in the implementation and usage of DTS.**

-----

### **Rebuttal of Report Language**

- The report language aims to address flaws in DTS by requiring a semi-annual report to the Congressional defense committees for the next 2 years. However, these reports do not address the systemic flaws within DTS that has caused it not to work.
- The report language correctly notes that, “more than seven years after the initial DTS contract was awarded, the system still is not fully functional.”
- The semi-annual reports requirement that commanding officers be charged with encouraging the utilization of DTS is positive and could very well work. At Ellsworth Air Force Base, due to commanding officer interest, the utilization rate is 80%. However, by standing order all military personnel must use DTS and being encouraged to use a system that does not work will not solve the problem.
- If this system is ever to produce savings for taxpayers, the way to calculate it would be (number of transactions) x (savings per transactions). There is a theoretical dollar amount of savings per transaction that has been calculated for DTS (\$31.78) that assumes that everything works perfectly, which it does not.
- The problem remains that the number of transactions is still far too low to make any claims about savings even remotely plausible.

- DTS doesn't find the lowest fare consistently and all its transactions have to be hand-checked by a travel agent.
- Then, of course, this comparison is with the "legacy" systems by which two-thirds of all DOD travel is still booked – namely, pick up a phone and call a travel agent.
- The report language also states that the committee is encouraged by the restructuring of the DTS contract which took place in 2004. This actually occurred in 2002 and involved a no-bid, sole source contract awarded in violation of the original agreement.

## **Rebuttal of DTS Claims**

- **DTS claims it is already saving the Government money (\$13 million this year) and will save much more when it is finally being used consistently.**

The DTS director has been unable to answer the simple question posed to him during a meeting with Mike Schwartz "what did you subtract from what in order to get the \$13 million".

The only way they could possibly have calculated this would be to take the estimated per-ticket savings of a fully-automated processing by DTS versus hand processing, estimated at \$34 per-ticket, and then multiplying that by the 1.8 million or so transactions processed by DTS.

That is an estimated theoretical savings, not a real number at all. It ignores such actual factors as the failure of DTS to display the lowest applicable airfare, the necessity to hand-check every DTS transaction; and the fact that the utilization rate of DTS is still so slow that most DOD travel is done the most expensive way, by a phone call to a travel agent. The right comparison would be DTS versus any of the civilian e-travel systems, and on that comparison DTS fails miserably.

- **DTS claims that there actually will be competitive bidding for the DTS contract renewal.**

This might be true. The no-bid, sole-source contract extension was just for one year, and it is probably true that an RFP is being prepared within DOD and that potential vendors are preparing to bid. The point is that regardless of fair and competitive bidding, this contract should not be extended. The one-year, no-bid extension was intended simply to prolong the life of this turkey beyond the current contract.

Also it is safe to suspect that the fair and competitive bidding will be rigged or will disappear entirely by this time next year. There is nothing in the history of DTS to suggest that a promise should be believed, especially in view of the non-transparent way the current contract was produced.

- **DTS is planning to integrate new technology that is more accurate than anything now on the market in finding flights and fares.**

Good. This new technology is not yet perfected, and not yet on the market, but in a competitive environment, we get technological improvements and those improvements might solve some of the problems of inefficiency in DTS. However, this new technology is being developed independently and will be available to the civilian travel vendors, so the Defense Department will be able to take advantage of this advance even after DTS is retired and replaced by an e-travel system that works.

## **DTS is far behind schedule**

- Now, at the end of the contract period, DTS is installed in about 2300 locations out of a total of 11,000. The DTS Project Management Office (PMO) has targeted its deployment efforts at the major DOD locations that account for the great majority of travel – but even that is not now scheduled for completion until September 2007 – more than five years behind schedule.

- According to testimony given by Thomas F. Gimble, Acting Inspector General Department of Defense, before the Senate Permanent Subcommittee on Investigations on September 29, 2005, “The Defense Travel System was at ‘high risk’ for not being an effective solution to streamlining the DOD travel management process. Furthermore, DTS experienced significant testing and deployment problems.”

- By comparison, according to a March 6, 2006 GSA internal review of its own in-house Program Management Office for e-travel systems, two-thirds of civilian agencies fully deployed their systems on time.

## **DTS is not being utilized**

- Dr. Scott A Comes of Program Analysis and Evaluation in the Defense Department testified last year that the estimated savings projected for DTS assumed a utilization rate of 60% in the first year of operation, rising to 90% thereafter.
- In actuality, the utilization rate for DTS was approximately zero through 2004, reached approximately 15% in 2005 and now in the last year of the contract period remains about 30%. It is already too late for DTS ever to recover the enormous investment that has been wasted on it.
- Furthermore, DTS fails to find the lowest applicable airfare in a significant number of cases. Industry expert Robert Langsfeld, who did a comparative study of DTS with the three civilian e-travel systems approved by GSA, testified last year that DTS performed less efficiently than any of the civilian GSA systems.
- According to GAO testimony before the PSI Committee, during fiscal years 2001 and 2002, DOD spent almost \$124 million on airline tickets that included at least one leg of the trip in premium class – usually business class.
- Because of control breakdowns within DTS, DOD paid for airline tickets that were neither used nor processed for refund – amounting to about 58,000 tickets totaling more than \$21 million. Based on limited data provided by the airlines to GAO, it is possible that the unused value of the fully and partially-used airline tickets that DOD has purchased could be at least \$100 million during the life span of DTS.
- GAO also found that DOD sometimes paid twice for the same airline ticket through DTS. Based on GAO's mining of limited data, the potential magnitude of the improper payments was 27,000 transactions for over \$8 million.

## **DTS is not cost effective**

- DTS is claiming that they saved over \$13 million this year, but their spokesman was unable to say in comparison to what. Apparently that “savings” is the amount estimated in reduced paperwork and accounting, estimated at about \$20 per transaction. This does not take into account the numerous instances in which DTS fails to display the lowest applicable airfare, the necessity to hand-check all its transactions, or the fact that the great bulk of DOD travel is still arranged through old-fashioned conventional travel agents. The alleged savings are completely illusory.
- Under the DTS contract Northrop is being paid millions of dollars each month for operation & maintenance, training, help desk, development & deployment - regardless of the actual extent of use by DOD travelers. In addition, DOD is also paying travel agents (commercial travel managers) fees ranging from \$5.25 to \$12.50 to perform a travel transaction using DTS (the agent still has to buy the ticket & perform other administrative functions) and higher fees (up to \$23) if a travel agent has to "touch" or assist in completing or correcting a DTS transaction.
- Under the GSA Contract DOD would pay only \$5.25 per transaction to whichever of three contractors won the contract. GSA e-travel systems are fully automated and do not require the assistance of a travel agent. Ironically, one of the three GSA –approved vendors for e-travel for civilian agencies is Northrop Grumman, the company that holds the DTS contract.

## **DTS is beset with contracting problems**

- The facts show that DTS is another instance of a guaranteed-profit, cost-plus contract. The government is responsible for paying all of the costs of the system in addition to the amount the contractor receives as profit.
- The original DTS contract provided for compensation on a per-transaction basis – pay for performance. By April 2001, after years of testing failures, it was clear that the original DTS would not work and the contract was secretly rewritten.

- In 2002, the DOD and TRW (later purchased by Northrup Grumman) secretly negotiated a total restructure of the contract, in which the government agreed to pay for all the of losses sustained to date by the DTS contractor and to shift from a pay for performance to a cost-plus arrangement.
- DOD has paid Northrop Grumman over \$264 million to develop DTS, when this program was supposed to be fully operational in 2001 and development costs were to be at no cost to the Federal government in the original contract.
- Another contract change was an agreement by the government to pay the \$43.7 million that had been spent in development costs by the original contractor, subsequently acquired by Northrop Grumman. We got absolutely nothing for that money; it just covered the losses covered by the contractor when the original contract stipulated that the contractor would bear all risks for the development and deployment of DTS.
- Last year Judge George Miller of the Federal Court of Claims decided that he would not even look into allegations of violations of the Competition in Contracting Act because the software and source codes are owned by the contractor, so if the contract were opened for bidding and another bidder was awarded the contract, the Government would have nothing left than a \$500 million loss.

But just a week before the September 29, 2005 hearing of the Senate Permanent Subcommittee on Investigations the contractor promised to transfer ownership of this intellectual property to the Defense Department at the end of the contract period if requested, ostensibly to maintain the fiction that the open bidding on the contract in 2006 is on the level.

Ownership of DTS seems to bounce around to wherever it is most convenient to avoid serious scrutiny.

- The Director, Defense Finance and Accounting Service, testified before the Senate Permanent Subcommittee on Investigations in September 2005, and promised that when Northrop Grumman's contract expired on September 30, 2006, the DTS contract would be re-bid.

However, this pledge has proved false. In February 2006, the Program



Director, Defense Travel System Program Management Office, admitted to the Court of Federal Claims that when Northrop Grumman's contract expired on September 30, 2006, DOD planned to extend it on a sole source basis to Northrop Grumman through September 30, 2007 for an additional \$20 million.

**FederalTimes.com – June 14<sup>th</sup>, 2006**

### **Defense Travel System delayed for landing**

By [STEPHEN LOSEY](#)

May 10, 2006

Budget cuts will stretch the deployment of the Defense Travel System into fiscal 2007 and indefinitely delay the rollout of one of its new features, the travel system's program director said May 3.

DTS, the Pentagon's end-to-end travel and financial management system, has had nearly \$10 million cut from its budget since fiscal 2003, said Air Force Col. Brandy Johnson. Last year, Johnson said DTS would be available at 11,000 Defense Department sites by the end of fiscal 2006.

Johnson said DTS will be at most large bases, offices and other Defense facilities by October. But about 1,100 to 1,600 sites will still be without the system that is eventually expected to save \$234 million of the military's yearly \$8.8 billion travel costs.

Johnson said the delay is not cause for concern.

"We're well within the program parameters, even if it slips into 2007," Johnson said.

But DTS has been harshly criticized by Congress and the Government Accountability Office for wasteful spending and numerous delays. Sen. Tom Coburn, R-Okla., tried to kill DTS last October with an amendment to the Defense appropriations bill. That amendment was voted down 65-32.

DTS was originally supposed to be completed in 2002. Darby Smith, GAO's assistant director for financial management and assurance, said that DTS's problems largely stem from a lack of welldefined requirements and oversight. Those shortcomings date from the project's start 10 years ago and are fairly common among government acquisitions, Smith said.

DTS is a Web-based system that automates travel booking and reimbursement. Johnson said that about 449,000 travelers have used it at 7,300 sites to reserve flights and hotel rooms, get approval for trips, and then submit vouchers to be reimbursed for expenses.

DTS was meant to cost \$474 million before the Pentagon started cutting funds to help pay for the war on terror, Johnson said.

And the budget cuts forced Johnson in March to put on hold an improvement that would calculate travel expenses for military permanent change-of-station [PCS] moves. Johnson originally wanted to roll out the PCS feature in December. Now she's not sure when it will be out, saying she needs \$3 million to \$5 million to do the job.

"It's really budget-dependent," Johnson said. "We re-engineered travel for TDY [temporary

duty], and we want to do the same for PCS.”

Delays in other Pentagon programs that DTS is meant to rely on have also set it back, Johnson said. For example, the debut of the Defense Integrated Military Human Resources System (DIMHRS), an electronic system that aims to integrate the military’s personnel and pay systems, slipped from spring 2006 to fiscal 2008.

This has meant DTS must continue to store large quantities of personal data about its users — such as their phone numbers, Social Security numbers and rank — when it had planned to get that information from DIMHRS, Johnson said. And when DTS releases a new update, it must take time to transfer that data from the old system to the new.

“We’re partnered with a lot of systems,” Johnson said. “If they’re not ready, we can’t do anything with them.”

But the setbacks are minor, Johnson said, and said DTS has “turned a corner” in getting users. In October, DTS had processed more than 1 million travel orders and 872,000 voucher claims, said Zack Gaddy, the director of the Defense Finance and Accounting Service, which oversaw DTS until it was moved to the Business Transformation Agency in February. Since then, the number of voucher claims has nearly doubled to 1.6 million and travel orders have hit 1.9 million, Johnson said.

The Government Accountability Office said in January that service members and civilian employees are still reluctant to use DTS.

Johnson said her office is trying to encourage use of DTS by giving on-site personnel more training. DTS also is scheduling regular conference calls between its experts and on-site personnel to solve any problems that may arise.

And people must become comfortable with any new technology before they start using it, Johnson said. She expects new sites to take about six months to a year before use of DTS becomes commonplace.

“More people are getting familiar with it, and it’s becoming more user-friendly as we get feedback,” Johnson said.

Johnson said DTS saved \$22 million a year between 2003 and 2005. This year, she expects it will save \$33 million.

But as more people use DTS, and as legacy travel and financial management system are rendered obsolete and eliminated, annual savings will skyrocket to at least \$234 million by fiscal 2008, Johnson said.

Also, program officials are finding new uses for DTS’ voucher system. For instance, Johnson said DTS vouchers can be used to reimburse service members and Defense employees for dental work, investigation expenses such as fees for checking court records, clothing, liability insurance and other expenses.

“DTS is really misnamed,” Johnson said. “We’re first and foremost a financial management system — not just travel.”

Johnson said she's not concerned about mission creep, or other activities encroaching on DTS' travel function. DTS is flexible, and nothing has to change for its voucher system to handle expenses other than travel, she said.

"We'll continue to evolve," Johnson said. And during the next two years, DTS will aim to bypass travel agents more often and book flights and rooms directly with airlines and hotels. By "cutting out the middleman," Johnson expects the Pentagon will save even more money, though she's not sure how much.

Travel agents would still be used to book complicated international flights, she said.

"Over the next two years, there will be gnashing of teeth, and there will be winners and losers," Johnson said.